



**Report to**

Audit and Procurement Committee

27<sup>th</sup> June 2022

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership – Councillor G Duggins

**Director approving submission of the report:**

Chief Operating Officer (Section 151 Officer)

**Ward(s) affected:**

City Wide

**Title:**

Internal Audit Plan 2022-23

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**Is this a key decision?**

No

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**Executive summary:**

The purpose of this report is to share the draft Internal Audit Plan for 2022-23 with the Audit and Procurement Committee to allow the Committee to express its views on the extent and nature of the planned coverage.

**Recommendations:**

Audit and Procurement Committee is recommended to consider the draft Internal Audit Plan for 2022-23 (Appendix One) and provide any comments on the content and scope of the proposed Plan.

**List of Appendices included:**

Appendix 1 - Draft Internal Audit Plan 2022-23

**Background papers:**

None

**Has it or will it be considered by scrutiny?**

No other scrutiny consideration other than the Audit and Procurement Committee

**Has it, or will it be considered by any other council committee, advisory panel or other body?**

No

**Will this report go to Council?**

No

**Report title:** Draft Internal Audit Plan 2022-23

**1. Context (or background)**

1.1 The Audit and Procurement Committee, within its terms of reference, is required to:

*'Consider the Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance Statement incorporated in the Annual Accounts'.*

1.2 In terms of proposed audit activities, the draft Internal Audit Plan attached at Appendix One documents the outcome of the audit planning process for 2021-22. This report provides the mechanism for allowing the Audit and Procurement Committee to discharge its responsibility as highlighted above, but also enables the Committee, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

**2. Options considered and recommended proposal**

2.1 **Background** – Internal Audit is an essential part of the Council's corporate governance arrangements. In considering the Public Sector Internal Standards (PSIAS) which became applicable to local authorities in April 2013 (and updated March 2017), Internal Audit is defined as:

*"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".*

The priorities of internal audit activity are determined through the development of an annual risk-based Internal Audit Plan. This report documents the planning process and identifies the outcome of this process, namely the draft Internal Audit Plan for 2022-23.

In developing the Audit Plan, we aim to achieve the following objectives:

- To provide a cost effective, targeted and value-added service to our customers. This requires the Service to achieve a balance between delivering standard audit reviews and responding to new / emerging risks faced by the Council, both at the operational and corporate level.
- To provide a quality Internal Audit Service in line with the Public Sector Internal Audit Standards, to assist the Council in achieving its aims and objectives.
- To provide the Service with a degree of flexibility to allow it to be able to respond to the changing needs of stakeholders during the year and provide relevant assurance.
- Ensuring that the level and skills of audit resources available is appropriate to meet the audit needs of the Council.
- To allow the Chief Internal Auditor to provide the Council with an annual opinion on the effectiveness of the organisation's risk management, internal control and governance arrangements.

2.2 **Draft Audit Plan 2022-23** – The results of the initial assessment of priorities are shown in Appendix One. Key points to note include:

- The draft plan is based on an allocation of priorities against the current level of audit resources available. The resource requirements have been assessed taking into account the requirement to produce an annual audit opinion and the Council's overall assurance framework. For 2022-23, the resources available are 560 days for audit and corporate fraud work. This is an increase of approximately 90 days when compared with 2021-22 and reflects that all vacant posts which are responsible for delivery of the Internal Audit Plan are now recruited to.
- In addition to the 560 available audit days, two trainee posts have been recruited to as part of the longer-term strategic plan for the Service. Given the nature of these posts, it is not viewed as appropriate to formally include them within the assessment of resources for 2022-23, although they will provide support to the Team in delivery of audit work.
- In focusing the available resources to develop a plan which meets the needs of the Council, the following approach has been taken:
  - An initial risk assessment has been undertaken, which considers the Council's corporate risk register and any priorities identified from consultation with Directors, and other senior managers, alongside other priorities linked to areas of risk which have been highlighted by the Chief Internal Auditor. Where appropriate, an assessed risk level has been included in Appendix One. Where the risk has been assessed as medium rather than high, this generally reflects the findings of previous audit reviews in the respective area / an initial assessment of the control environment.
  - Resource has been allocated to support the development of an audit universe to support future audit planning. Whilst there is no mandatory requirement to use this tool, it is a helpful model in large and complex organisations to ensure clarity and transparency around internal audit coverage. It supports an objective approach to determining audit priorities and will provide more assurance to senior management and the Audit and Procurement Committee that coverage is sufficient and aligned to the right areas. This activity also forms part of the Quality Assurance and Improvement Programme for Internal Audit.
  - A risk-based approach to the audit of schools, rather than a cyclical programme of audit work.
  - A flexible and responsive approach to issues highlighted by senior officers with dialogue to ensure resources are directed in accordance with their priorities.
  - A flexible approach to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role.
- Other areas of planned work include:
  - Corporate Risks – the focus of audit coverage in 2022-23 in regards to the corporate risk register is aligned to those areas where it is clear Internal Audit can make a contribution to the management of these risks, including emerging issues linked to these activities. This includes reviews of equality and diversity in recruitment, public health funding and housing benefit subsidy.

- ICT – The programme of IT audit work is established through an IT audit needs assessment which identifies areas of focus over a three-year period (subject to annual review.) In 2022-23, the areas which have been agreed are, Service Desk (assessment of the new system for raising IT issues and associated processes), Software Asset Management and IT Operations.
- Council / Audit priorities – this incorporates audit work linked to specific priorities which have a corporate impact such as pre-employment checks, IR35 compliance and Coventry Municipal Holdings.
- Regularity – this includes work to meet the assurance requirements of grant funding received by the Council, and co-ordination of the Annual Governance Statement and declarations of interest exercise.
- Directorate risks – this audit area includes those issues highlighted through dialogue with Directors which could affect the achievement of operational objectives. In 2022-23 identified areas include buildings statutory compliance and the transfer of the Emergency Services Unit to Whitley Depot.

As a result, it is believed that the draft Audit Plan for 2022-23 is sufficient for the work required to report on governance, the management of risks and internal controls in the year and to prepare our annual opinion and report.

### **3. Results of consultation undertaken**

- 3.1 There is an on-going process of consultation with Senior Officers across the Council to inform development of the Audit Plan and areas of specific focus throughout the year.

### **4. Timetable for implementing this decision**

- 4.1 The Internal Audit Plan is an annual plan and is based on a completion date of the 31<sup>st</sup> March 2023. Progress is monitored by the Audit and Procurement Committee. In addition to the planned quarterly progress reports, the Internal Audit Service is required to produce an annual report. This report is due in June / July 2023 and will include the opinion of the Chief Internal Auditor on the adequacy of the Council's risk management, internal control and governance arrangements, highlighting issues relevant to the preparation of the Annual Governance Statement.

### **5. Comments from the Chief Operating Officer (Section 151 Officer) and the Director of Law and Governance**

#### **5.1 Financial Implications**

There are no specific financial implications associated with this report. Internal audit work has clear and direct effects, through the recommendations made, to help improve value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

#### **5.2 Legal implications**

The effective planning of audit activity across the organisation ensures that the Council meets its statutory obligations in respect of maintaining an internal audit function and represents good governance.

## **6. Other implications**

### **6.1 How will this contribute to achievement of the One Coventry Plan?**

Internal Auditing is defined in the Public Sector Internal Audit Standards as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". As such the work of Internal Audit is directly linked to the Council's key objectives / priorities with specific focus agreed on an annual basis and reflected in the annual Internal Audit Plan.

### **6.2 How is risk being managed?**

In terms of risk management, there are two focuses:

- Internal Audit perspective - The main risks facing the Service are that the planned programme of audits is not completed, and that the quality of audit reviews fails to meet customer expectations. Both these risks are managed through defined processes (i.e. planning and quality assurance) within the Service, with the outcomes included in reports to the Audit and Procurement Committee. Delays in the delivery of individual audits could occur at the request of the customer, which could impact on the delivery of the plan. The risk is managed through on-going communication with customers to agree timing and identify issues at an early stage to allow for remedial action to be taken.
- Wider Council perspective - The key risk is that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Audit and Procurement Committee. Where progress has not been made, further action is agreed and overseen by the Audit and Procurement Committee to ensure action is taken.

### **6.3 What is the impact on the organisation?**

None

### **6.4 Equalities / EIA**

None

### **6.5 Implications for (or impact on) climate change and the environment**

No impact

### **6.6 Implications for partner organisations?**

None

**Report author(s):**

**Name and job title:**

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**Service:**

Finance

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Michelle Salmon	Governance Services Officer	Law and Governance	25/5/2022	25/5/2022
Paul Jennings	Finance Manager Corporate Finance	Finance	25/5/2022	26/5/2022
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Barry Hastie	Chief Operating Officer (Section 151 Officer)	-	25/5/2022	26/5/2022
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	25/05/2022	31/5/2022

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**Appendix One – Internal Audit Plan 2022-23**

<b>KEY DRIVER</b>	<b>RISK LEVEL</b>	<b>AUDIT AREA</b>	<b>PLANNED DAYS</b>
<b>Corporate Risk</b>			
	High	ICT (Infrastructure and Change)*	<b>30</b>
	High	Finance	<b>25</b>
	High	Workforce Strategy	<b>15</b>
	High	Public health funding	<b>15</b>
<b>Council / Audit Priorities</b>			
	Medium	Payment Audit*	<b>5</b>
	Medium	Pre- employment checks	<b>15</b>
	High	Coventry Municipal Holdings	<b>25</b>
	Medium	IR35 compliance	<b>10</b>
		Audit Universe	<b>25</b>
<b>Financial Systems</b>			
	High	Care Director	<b>40</b>
	High	Business Rates	<b>23</b>
	Medium	Accounts Payable	<b>10</b>
	Medium	Accounts Receivable	<b>10</b>
	Medium	Council Tax	<b>10</b>
	Medium	Payroll	<b>22</b>
	Medium	Housing Benefits	<b>10</b>
<b>Regularity</b>			
		Grants	<b>92</b>
		Business grants assurance	<b>5</b>
		Corporate Governance	<b>15</b>
		Risk Management	<b>10</b>
		Schools	<b>33</b>
<b>Other</b>			
		Contingency / Directorate Risks	<b>32</b>
		Fraud	<b>30</b>
		Follow up	<b>30</b>
		2021/22 B/Fwd	<b>23</b>
		<b>Total Days Available</b>	<b>560</b>

\* undertaken by third parties